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Expenses if you're self-employed

1. Overview

If you're self-employed, your business will have various running costs. You can deduct some of these costs to work out your taxable profit as long as they're allowable expenses.

Example Your turnover is £40,000, and you claim £10,000 in allowable expenses. You only pay tax on the remaining £30,000 - known as your taxable profit.

Allowable expenses do not include money taken from your business to pay for private purchases.

If you run your own limited company (<https://www.gov.uk/running-a-limited-company>), you need to follow different rules. You can deduct any business costs from your profits before tax. You must report any item you make personal use of as a company benefit (<https://www.gov.uk/employer-reporting-expenses-benefits>).

Costs you can claim as allowable expenses

These include:

- office costs (<https://www.gov.uk/expenses-if-youre-self-employed/office-property>), for example stationery or phone bills
- travel costs (<https://www.gov.uk/expenses-if-youre-self-employed/travel>), for example fuel, parking, train or bus fares
- clothing expenses (<https://www.gov.uk/expenses-if-youre-self-employed/clothing>), for example uniforms
- staff costs (<https://www.gov.uk/expenses-if-youre-self-employed/staff>), for example salaries or subcontractor costs
- things you buy to sell on (<https://www.gov.uk/expenses-if-youre-self-employed/reselling-goods>), for example stock or raw materials
- financial costs (<https://www.gov.uk/expenses-if-youre-self-employed/legal-financial>), for example insurance or bank charges
- costs of your business premises (<https://www.gov.uk/expenses-if-youre-self-employed/office-property>), for example heating, lighting, business rates
- advertising or marketing (<https://www.gov.uk/expenses-if-youre-self-employed/marketing-entertainment-subscriptions>), for example website costs
- training courses (<https://www.gov.uk/expenses-if-youre-self-employed/training-courses>) related to your business, for example refresher courses

You cannot claim expenses if you use your £1,000 tax-free 'trading allowance' (<https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income>).

Contact the Self Assessment helpline (<https://www.gov.uk/contact/hm-revenue-customs/self-assessment>) if you're not sure whether a business cost is an allowable expense.

Costs you can claim as capital allowances

If you use traditional accounting (<https://www.gov.uk/self-employed-records/overview>), claim capital allowances (<https://www.gov.uk/capital-allowances>) when you buy something you keep to use in your business, for example:

- equipment
- machinery
- business vehicles, for example cars (<https://www.gov.uk/capital-allowances/business-cars>), vans, lorries

You cannot claim capital allowances if you use your £1,000 tax-free 'trading allowance' (<https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income>).

If you use cash basis

If you use cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis/income-and-expenses-under-cash-basis>) and buy a car (<https://www.gov.uk/expenses-if-youre-self-employed/travel>) for your business, you can claim this as a capital allowance. However, all other items you buy and keep for your business should be claimed as allowable expenses in the normal way.

If you use something for both business and personal reasons

You can only claim allowable expenses for the business costs.

Example Your mobile phone bills for the year total £200. Of this, you spend £130 on personal calls and £70 on business.

You can claim for £70 of business expenses.

If you work from home

You may be able to claim a proportion of your costs for things like:

- heating
- electricity
- Council Tax
- mortgage interest or rent
- internet and telephone use

You'll need to find a reasonable method of dividing your costs, for example by the number of rooms you use for business or the amount of time you spend working from home.

Example You have 4 rooms in your home, one of which you use only as an office.

Your electricity bill for the year is £400. Assuming all the rooms in your home use equal amounts of electricity, you can claim £100 as allowable expenses (£400 divided by 4).

If you worked only one day a week from home, you could claim £14.29 as allowable expenses (£100 divided by 7).

Simplified expenses

You can avoid using complex calculations to work out your business expenses by using simplified expenses (<https://www.gov.uk/simpler-income-tax-simplified-expenses>). Simplified expenses are flat rates that can be used for:

- vehicles
- working from home
- living on your business premises

2. Office, property and equipment

Claim items you'd normally use for less than 2 years as allowable expenses, for example:

- stationery
- rent, rates, power and insurance costs

For equipment you keep to use in your business, for example computers or printers, claim:

- allowable expenses if you use cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis/income-and-expenses-under-cash-basis>)
- capital allowances (<https://www.gov.uk/capital-allowances/overview>) if you use traditional accounting

You cannot claim for any non-business use of premises, phones or other office resources.

Stationery

You can claim expenses for:

- phone, mobile, fax and internet bills
- postage
- stationery
- printing
- printer ink and cartridges
- computer software your business uses for less than 2 years
- computer software if your business makes regular payments to renew the licence (even if you use it for more than 2 years)

Claim other software for your business as capital allowances (<https://www.gov.uk/capital-allowances/overview>), unless you use cash basis (<https://www.gov.uk/simpler-income-tax-cash-basis/income-and-expenses-under-cash-basis>).

Rents, rates, power and insurance costs

You can claim expenses for:

- rent for business premises

- business and water rates
- utility bills
- property insurance
- security
- using your home as an office (only the part that's used for business (<https://www.gov.uk/expenses-if-youre-self-employed/overview>))

Business premises

You cannot claim expenses or allowances for buying building premises.

Claim expenses for repairs and maintenance of business premises and equipment.

For alterations to install or replace equipment, claim:

- allowable expenses if you use cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis/income-and-expenses-under-cash-basis>)
- capital allowances (<https://www.gov.uk/capital-allowances/overview>) if you use traditional accounting

You can also claim capital allowances (<https://www.gov.uk/capital-allowances/what-you-can-claim-on>) for some integral parts of a building, for example water heating systems.

3. Car, van and travel expenses

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for:

- vehicle insurance
- repairs and servicing
- fuel
- parking
- hire charges
- vehicle licence fees
- breakdown cover
- train, bus, air and taxi fares
- hotel rooms
- meals on overnight business trips

You cannot claim for:

- non-business driving or travel costs
- fines
- travel between home and work

You may be able to calculate your car, van or motorcycle expenses using a flat rate (<https://www.gov.uk/simpler-income-tax-simplified-expenses/vehicles->) (known as simplified expenses) for mileage instead of the actual costs of buying and running your vehicle.

Buying vehicles

If you use traditional accounting (<https://www.gov.uk/self-employed-records/overview>) and buy a vehicle for your business, you can claim this as a capital allowance (<https://www.gov.uk/capital-allowances/business-cars>).

If you use cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis/income-and-expenses-under-cash-basis>) and buy a car (<https://www.gov.uk/expenses-if-youre-self-employed/travel>) for your business, claim this as a capital allowance as long as you're not using simplified expenses (<https://www.gov.uk/simpler-income-tax-simplified-expenses/overview>).

For all other types of vehicle, claim them as allowable expenses.

4. Clothing expenses

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for:

- uniforms
- protective clothing needed for your work
- costumes for actors or entertainers

You cannot claim for everyday clothing (even if you wear it for work).

5. Staff expenses

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for:

- employee and staff salaries
- bonuses
- pensions
- benefits
- agency fees
- subcontractors
- employer's National Insurance
- training courses related to your business

You cannot claim for carers or domestic help, for example nannies.

6. Reselling goods

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for:

- goods for resale (stock)
- raw materials
- direct costs from producing goods

You cannot claim for:

- any goods or materials bought for private use

- depreciation of equipment

7. Legal and financial costs

Accountancy, legal and other professional fees can count as allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>).

You can claim costs for:

- hiring of accountants, solicitors, surveyors and architects for business reasons
- professional indemnity insurance premiums

You cannot claim for:

- legal costs of buying property and machinery - if you use traditional accounting, claim for these costs as capital allowances (<https://www.gov.uk/capital-allowances>)
- fines for breaking the law

Bank, credit card and other financial charges

You can claim business costs for:

- bank, overdraft and credit card charges
- interest on bank and business loans
- hire purchase interest
- leasing payments
- alternative finance payments, for example Islamic finance

If you're using cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis/>) you can only claim up to £500 in interest and bank charges.

You cannot claim for repayments of loans, overdrafts or finance arrangements.

Insurance policies

You can claim for any insurance policy for your business, for example public liability insurance.

When your customer does not pay you

If you're using traditional accounting (<https://www.gov.uk/self-employed-records/overview>), you can claim for amounts of money you include in your turnover but will not ever receive ('bad debts'). However, you can only write off these debts if you're sure they will not be recovered from your customer in the future.

You cannot claim for:

- debts not included in turnover
- debts related to the disposal of fixed assets, for example land, buildings, machinery
- bad debts that are not properly calculated, for example you can not just estimate that your debts are equal to 5% of your turnover

Bad debts cannot be claimed if you use cash basis accounting (<https://www.gov.uk/simpler-income-tax-cash-basis>) because you've not received the money from your debtors. With cash basis, you only record income on your return that you've actually received.

8. Marketing, entertainment and subscriptions

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for:

- advertising in newspapers or directories
- bulk mail advertising (mailshots)
- free samples
- website costs

You cannot claim for:

- entertaining clients, suppliers and customers
- event hospitality

Subscriptions

You can claim for:

- trade or professional journals
- trade body or professional organisation membership if related to your business

You cannot claim for:

- payments to political parties
- gym membership fees
- donations to charity - but you may be able to claim for sponsorship payments (<https://www.gov.uk/tax-limited-company-gives-to-charity/sponsoring-a-charity>)

9. Training courses

You can claim allowable business expenses (<https://www.gov.uk/expenses-if-youre-self-employed/overview>) for training that helps you improve the skills and knowledge you use in your business (for example, refresher courses).

The training courses must be related to your business.

You cannot claim for training courses that help you:

- start a new business
- expand into new areas of business, including anything related to your current business

10. How to claim

Keep records (<https://www.gov.uk/self-employed-records>) of all your business expenses as proof of your costs.

Add up all your allowable expenses for the tax year and put the total amount on your Self Assessment tax return (<https://www.gov.uk/self-assessment-tax-returns>).

You do not need to send in proof of expenses when you submit your tax return. But you should keep proof and records so you can show them to HM Revenue and Customs (HMRC) if asked.

You must make sure your records are accurate.